



The Trust Company (RE Services) Limited
ABN 45 003 278 831, AFSL 235150

23 March 2021

The Manager
ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

The following has been prepared by the Manager to discuss the potential impacts to the KKR Credit Income Fund (KKC) portfolio as a result of recent increases to US bond yields and rising inflation expectations.

KKR believes the short term impact to KKC's portfolio of assets is small, and KKC should be positioned to perform well in times where higher growth expectations drive government bond yields higher.

As a reminder, KKC is allocated to both the Opportunistic Credit Strategy and the European Direct Lending (EDL) strategy. Floating rate loans, which will benefit from rising rates, currently make up half of the Opportunistic Credit strategy and all of EDL's assets. Historically, the Opportunistic Credit Strategy has had a low correlation to interest rates and currently has a duration of 1.41 years compared to a duration of the Overall High Yield market of close to 4 years.

The key risk of the KKC portfolio is credit risk, so over the medium term, it is important to consider what is driving the higher inflation stance. If positive economic growth is pushing inflation off the current low levels, then that is a positive outcome for credit.

The KKR macroeconomics team feel that current inflation concerns are somewhat overblown and the team has targets for the 10 year bond yield being in a range of 1.5% and 2.0% in 2021 and 1.75-2.00% in 2022. The macroeconomics team also believe that the Federal Reserve is committed to keeping short-term interest rates pinned at zero through 2023, that government bond yields are becoming oversold in the near-term (but do think the longer-term trend is higher), and that risk assets, and in particular cyclical, are headed higher, albeit with some volatility.

Thank you for your continued support of KKC and look forward to keeping you updated on the fund.

Yours sincerely,

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The Trust Company (RE Services) Limited ABN: 45 003 278 831, AFSL: 235150 as Responsible Entity of the KKR Credit Income Fund (ARSN 634 082 107)

Important Information

This information has been prepared by KKR Australia Investment Management Pty Ltd ABN 42 146 164 454, AFSL 420 085 (“KKR”) and issued by The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235150 (“TTCRESL”). TTCRESL is the responsible entity and issuer of the KKR Credit Income Fund ARSN 634 082 107 (“Trust”). TTCRESL has appointed KKR to act as the manager of the Trust. This update is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not indicative of future performance. This information is believed to be accurate at the time of compilation and is provided in good faith. This information may contain information contributed by third parties. KKR and TTCRESL do not warrant the accuracy or completeness of any information contributed by a third party.

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